

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 DODE-00 PA-01 USIA-06 PRS-01

SS-15 NSC-05 AGR-05 INT-05 OES-03 FEAE-00 STR-04 /091 W
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R 231058Z APR 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 1494

INFO AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

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E.O. 11652: N/A

TAGS: PFOR, NP, IN

SUBJECT: NEPAL OBJECTS TO INDIAN PRICING POLICY

REF:

KATHMANDU 1603; NEW DELHI 4401

1. NEPALESE PRESS ON APRIL 22 REPORTED THAT GON HAD
DELIVERED NOTE TO GOVERNMENT OF INDIA PROTESTING
INDIA'S DECISION TO RAISE PRICES ON EXPORTS OF ESSENTIAL
COMMODITIES TO NEPAL TO LEVELS CORRESPONDING TO THOSE
CHARGED FOR EXPORTS TO OTHER FRIENDLY NEIGHBORING
COUNTRIES. NEPALESE NOTE WAS IN RESPONSE TO NOTE
RECEIVED FROM GOVERNMENT OF INDIA
GIVING NOTICE OF
NEW POLICY.

2. ACCORDING TO PRESS ACCOUNTS, NEPALESE NOTE CALLED
ATTENTION TO FACT THAT SETTLEMENT OF PRICES FOR
SPECIFIC COMMODITIES TRADED BETWEEN INDIA AND NEPAL
WAS TRADITIONALLY MANAGED BY NEGOTIATIONS BETWEEN BUYERS
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AND SELLERS (I.E. WITHOUT GUIDELINES OR INTERFERENCE

FROM GOVERNMENTS) AND THAT THIS WAS ALSO THE USUAL INTERNATIONAL PRACTICE. GON NOTE POINTED OUT INCONSISTENCY BETWEEN GOI'S DECISION CONVEYED IN NOTE TO IMPOSE SPECIFIC GUIDELINES FOR NEW PRICES AND UNDERSTANDING REACHED DURING RECENTTRADE AND TRANSIT DISCUSSIONS THAT PRICES WOULD BE DETERMINED THROUGH NEGOTIATIONS BETWEEN BUYERS AND SELLERS.

3. EDITORIAL IN GOVERNMENT CONTROLLED RISING NEPAL ASSERTS THAT INDIAN POSITION IS QTE CONTRAVENTION OF LETTER AND SPIRIT OF NEPAL-INDIA TRADE AND TRANSIT TREATY CONCLUDED WITH CLEAR OBJECT OF STRENGTHENING TRADITIONAL TRADE TIES BETWEEN TWO COUNTRIES UNQTE. EDITORIAL GOES ON TO STATE THAT BOTH MATTER AND MANNER OF INDIAN DECISION ARE UNACCEPTABLE TO NEPAL AND THAT IF INDIA FOUND IT NECESSARY TO RAISE PRICES TO NEPAL FORREASONS CONVINCING ONLY TO HERSELF, ISSUE SHOULD HAVE BEEN RAISED DURING RECENTTRADE TALKS. NEPAL SHOULD HAVE BEEN GIVEN TIME TO BECOME PSYCHOLOGICALLY AND MATERIALLY PREPARED FOR HIGHER PRICES, AS HAD BEEN THE CASE WHEN NEPAL WAS FORCED TO PAY HARD CURRENCY FOR IMPORTS OF PETROLEUM PRODUCTS. EDITORIAL CLOSES WITH CALL TO INDIA TO GIVE SECOND THOUGHT TO DECISION TO RAISE EXPORT PRICES TO NEPAL.

4. COMMENT: IT IS OBVIOUS THAT GON DOES NOT CONSIDER PRICING ISSUE TO BE CLOSED. PALACE PRESS SECRETARY CHIRAN THAPA TOLD DCM APRIL 21 THAT INDIAN DECISION WAS VIEWED AS VIOLATION OF TRADE AND TRANSIT TREATY AND THAT NEPALESE HOPED DECISION COULD BE MODIFIED. GON CONCERN UNDOUBTEDLY HEIGHTENED BY SHORTAGE OF INDIAN CURRENCY RESERVES IN FACE OF RISING COSTS OF IMPORTED INDIAN PRODUCTS SUCH AS COAL. WHILE CURRENT OFFICIAL FIGURES ARE NOT AVAILABLE THERE ARE REPORTS THAT GON HAS INCURRED HEAVY DRAWDOWNS OF IC HOLDINGS IN RECENT MONTHS AND THAT NEW STANDBY CREDIT WITH INDIA MAY BE NECESSARY. FOLLOWING QTE INSTITUTIONALIZATION UQTE OF RICE TRADE, GON HAS ENCOUNTERED PROBLEMS IN ARRANGING PERMITS WITH INDIAN STATES FOR EXPORTS WITH RESULT THAT LIMITED OFFICIAL USE

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IC REVENUES HAVE SUFFERED, WHILE DRAWDOWNS DUE TO INCREASED VOLUME AND PRICES OF IMPORTS HAVE RISEN. GOVERNMENT IS ALSO DISAPPOINTED OVER LACK OF PROGRESS AT CHOBAR CEMENT FACTORY WHICH WOULD REPRESENT NEPAL'S FIRST DOMESTIC SOURCE FOR CEMENT. AFTER INITIAL TRIAL RUN, FACTORY IS AGAIN INOPERATIONAL AND PRESS IS FULL OF RECRIMINATIONS REGARDING INCOMPETENCE OF GOVERNMENT PLANNERS AND FOREIGN CONSULTANTS. IN VIEW OF NEPALESE

SILENCE FOLLOWING RECENT EVENTS IN SIKKIM, GON PRESUMABLY
FEELS THAT IT HAS COMPLIED WITH ITS QTE POLITICAL
OBLIGATIONS UNQTE TO INDIA AND IS THEREFORE IN POSITION
TO ASK FOR AT LEAST SHORT TERM CONTINUATION OF
PREFERENTIAL ECONOMIC TREATMENT.
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